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MILK MARKET INFORMATION BULLETIN
CHATTANOOGA, TENNESSEE MARKETING AREA
April 1967

Number 9

Released Pursuant to \$1090.27(j) and \$1090.85 USDA-AMS
Federal Order No. 90, 5916 Brainerd Road, Chattanooga, Tennessee 37411
J. B. McCroskey, Market Administrator

HEARING SET MAY 24 ON AMENDING CHATTANOOGA
AND KNOXVILLE, TENNESSEE FEDERAL MILK ORDERS

The U. S. Department of Agriculture will hold a public hearing May 24 in Knoxville, to consider amending the Chattanooga and Knoxville Federal milk marketing orders. The hearing will begin at 10 a.m., at the Holiday Inn West, 1315 Kirby Road, Paper Mill Road-Bearden Exit on Interstate 40, Knoxville. It was requested by the Chattanooga Area Milk Producers Association, and the Knoxville Milk Producers Association, representing a majority of producers in the respective markets.

The principal proposals would provide that under each of the orders, the Class II price for milk used for manufacturing be the Minnesota-Wisconsin manufacturing milk price. Other proposals would require that the fluid milk (Class I) price under each order be announced by the 6th rather than the 10th day of the month. Changes in the method of computing the supply-demand adjustments are also proposed in order to make the earlier announcement date possible.

After considering evidence presented at the hearing, USDA may recommend amending the orders. Everyone interested would then be given opportunity to file exceptions or comments to the recommendations before a final decision is issued. The final decision would be subject to approval by at least two-thirds of the dairy farmers serving each of the order areas before the changes could become effective. Copies of the hearing notice containing the proposals in more detail may be obtained from the Market Administrator at 5916 Brainerd Road, P. O. Box 8085, Chattanooga, Tennessee 37411.

MARKET SUMMARY - APRIL 1967

The Order MINIMUM uniform producer prices per cwt. f.o.b. Chattanooga Area pool plants for milk testing 3.5% are: Base Milk \$5.45, Excess Milk \$3.31. The producer butterfat differential is 8.2 cents for each one-tenth of one percent above or below 3.5 percent. This is a base price increase of \$0.39 per cwt. and an excess price increase of \$0.31 per cwt. over April 1966.

During April 71.9% of the total producer milk was priced in Class I at \$5.94 per cwt. with a butterfat differential of 8.6 cents and 28.1% priced in Class II at \$3.35 per cwt. with a butterfat differential of 7.6 cents. The daily average use of Gross Class I decreased 3.5% compared with March 1967 and decreased 5.3% compared with April 1966.

The daily average producer deliveries was 643,759 pounds in April 1967, an increase of 41,006 pounds per day compared with March 1967 and a decrease of 42,398 pounds compared with April 1966. Percentage-wise, April deliveries increased 6.8% compared with March 1967 and decreased 6.2% compared with April 1966. Base milk was 88.0% and excess milk was 12.0% of the total producer deliveries. All excess milk and 18.2% of base milk was priced in Class II and 81.8% of base milk was priced in Class I. The daily average farm delivery was 1,160 pounds compared with 1,051 pounds per farm for April 1966. This is an increase of 109 pounds (12.7 gallons) per farm per day.

LABORATORY ACTIVITIES - Producer Fresh Milk Tests 4,375 - Handler Finished Products 183.

COMPARISON OF GROSS MILK RECEIPTS AND UTILIZATION

	% Apr. '67 Over Apr. '66	Apr. 1967	Mar. 1967	Apr. 1966
Number of Plants (Pool and Non-Pool)		9	9	11
<u>GROSS RECEIPTS POUNDS (DAILY AVERAGE)</u>				
Producer Milk - Base	- 8.3	566,415	554,123	617,814
- Excess	+ 13.2	77,344	48,630	68,343
- Total	- 6.2	643,759	602,753	686,157
Other Source	+ 9.0	22,030	24,493	20,215
Other Federal Orders	+170.0	55,361	52,794	20,501
Total Milk Receipts	- 0.8	721,150	680,040	726,873
<u>GROSS UTILIZATION POUNDS (DAILY AVERAGE)</u>				
Class I Uses:				
Homo Milk	- 14.6	364,536	375,944	426,967
Regular Skim	- 9.2	16,464	17,229	18,125
Special Skim - 2%	+223.9	35,605	35,857	10,991
Buttermilk	- 8.8	42,019	42,110	46,052
Flavored Milk and Drink	- 14.7	12,002	12,175	14,064
Creams (Sweet and Sour)	- 8.9	2,942	3,030	3,230
Other (Shrinkage, Inventory, etc.)		712	1,121	1,850
Transfers to Non-Pool Plants		26,644	31,406	7,551
Total Class I Milk	- 5.3	500,924	518,872	528,830
Class II Uses:				
Ice Cream Mixes		48,432	35,427	46,553
Cottage Cheese		34,089	34,201	31,883
Powdered and Condensed Milk		89,009	48,663	86,332
Livestock Feed and Skim Dumped		7,081	6,148	6,891
Shrinkage Class II		10,461	11,661	9,401
Other (Butter, Inventory, etc.)		13,037	6,160	(8,010)
Transfers to Non-Pool Plants		18,117	18,908	24,993
Total Class II Milk	+ 11.2	220,226	161,168	198,043
Class I Pounds in Marketing Area	- 5.5	298,212	308,006	315,464
Class I Pounds outside Marketing Area	- 5.0	202,712	210,866	213,366
% Producer Milk of Gross Class I		128.5	116.2	129.8
% Producer Milk priced in Class I		71.9	79.1	76.1

MAY 1967 CLASS I MINIMUM PRICE COMPUTATION INCLUDING SUPPLY-DEMAND ADJUSTMENT

	May '67	Apr. '67	May '66
Per § 1090.51(a)			
Basic Formula	\$4.05	\$4.15	\$3.64
Plus Class I Differential	1.95 ^{1/}	1.75	1.75
Supply-Demand Adjustment	0.00	0.04	0.00
Class I Price, 3.5% Butterfat	\$6.00	\$5.94	\$5.45 ^{2/}
Supply-Demand Comparison: 1st and 2nd preceding months: March and April			
Supply: Lbs. Producer Milk (Mar. 18,685,331 and Apr. 19,312,763)			37,998,094
Demand: Lbs. Net Class I Milk (Mar. 15,873,534 and Apr. 14,841,113)			30,714,647
Utilization Percentage: Producer milk divided by Class I			124
Standard Utilization Percentage: Range 124-128			124
Net Deviation Percentage: Utilization minus Standard Utilization			-0-
Supply-Demand Adjustment: 2 cents x 0 percentage points			\$0.00

^{1/} Class I differential increased 20 cents per Order amendment effective May 1, 1967 (See Page 5).

^{2/} Class I minimum price per Order amendment effective April 10, 1966.

COMPUTATION OF PRODUCER UNIFORM BASE AND EXCESS PRICES
AND WEIGHTED AVERAGE PRICE

APRIL 1967	Class %	Milk Pounds	Butterfat Test - %	Cwt.Price @ Test	Gross Value
Gross Class I		15,027,730	3.478		
Less Other Source		1,132,375	3.202		
Producer Milk Class I	71.9	13,895,355	3.500206	\$5.940177	\$ 825,408.68
Gross Class II		6,606,772	4.711		
Less Other Source		1,189,364	3.524		
Producer Milk Class II	28.1	5,417,408	4.971326	4.468208	242,061.06
TOTAL PRODUCER MILK (Cl. I + Cl. II)	100.0	19,312,763	3.912868		1,067,469.74
Less Fractional Adjustment					.04
Add Value of Other Source Receipts					
Allocated to Class I and Location Adj.		88,134			3,923.06
Add $\frac{1}{2}$ Producer-Settlement Fund Reserve					8,193.57
TOTAL VALUE AT TEST		19,400,897	3.903129	5.564621	1,079,586.33
Less Test over 3.5% @ 8.2¢ per point		19,400,897	.403129	.330566	64,132.77
TOTAL UTILIZATION VALUE AT 3.5%		19,400,897	3.5	5.234055	1,015,453.56
Less Reserve Per \$ 1090.71(f)		19,400,897		.044055	
WEIGHTED AVERAGE PRICE - 3.5% TEST		19,400,897	3.5	\$5.19	
Less FMP from Unregulated Supply Plants					
Allocated to Class I @ Wt. Av. Price		88,134	3.5	5.19	4,574.15
TOTAL PRODUCER MILK VALUE @ 3.5% TEST		19,312,763	3.5		\$1,010,879.41
		Pounds	Price	Amount	
Excess Producer Milk Used in Class I		-	-	-	
Excess Producer Milk Used in Class II		2,320,330	\$3.35	\$77,731.05	
Total Value of Excess Milk		2,320,330	3.35	77,731.05	
Less Prod.-Settlement Fund Reserve @ 4¢		2,320,330	.04		928.13
UNIFORM EXCESS PRICE - 3.5% TEST		2,320,330	\$3.31		\$ 76,802.92
Total Value of Base Milk		16,992,433	5.491552		933,148.36
Less Producer-Settlement Fund Reserve		16,992,433	.041552		7,060.70
UNIFORM BASE PRICE - 3.5% TEST		16,992,433	\$5.45		\$ 926,087.66

APRIL 1967 MINIMUM PRODUCER PRICES CWT. F.O.B. CHATTANOOGA POOL PLANTS
BUTTERFAT DIFFERENTIAL 8.2¢ PER POINT (EXCLUDES PREMIUMS)

TEST %	PRICES		TEST %	PRICES		TEST %	PRICES	
	BASE	EXCESS		BASE	EXCESS		BASE	EXCESS
3.0	\$5.04	\$2.90	4.0	\$5.86	\$3.72	5.0	\$6.68	\$4.54
3.05	5.081	2.941	4.05	5.901	3.761	5.05	6.721	4.581
3.1	5.122	2.982	4.1	5.942	3.802	5.1	6.762	4.622
3.15	5.163	3.023	4.15	5.983	3.843	5.15	6.803	4.663
3.2	5.204	3.064	4.2	6.024	3.884	5.2	6.844	4.704
3.25	5.245	3.105	4.25	6.065	3.925	5.25	6.885	4.745
3.3	5.286	3.146	4.3	6.106	3.966	5.3	6.926	4.786
3.35	5.327	3.187	4.35	6.147	4.007	5.35	6.967	4.827
3.4	5.368	3.228	4.4	6.188	4.048	5.4	7.008	4.868
3.45	5.409	3.269	4.45	6.229	4.089	5.45	7.049	4.909
3.5	5.45	3.31	4.5	6.27	4.13	5.5	7.09	4.95
3.55	5.491	3.351	4.55	6.311	4.171	5.55	7.131	4.991
3.6	5.532	3.392	4.6	6.352	4.212	5.6	7.172	5.032
3.65	5.573	3.433	4.65	6.393	4.253	5.65	7.213	5.073
3.7	5.614	3.474	4.7	6.434	4.294	5.7	7.254	5.114
3.75	5.655	3.515	4.75	6.475	4.335	5.75	7.295	5.155
3.8	5.696	3.556	4.8	6.516	4.376	5.8	7.336	5.196
3.85	5.737	3.597	4.85	6.557	4.417	5.85	7.377	5.237
3.9	5.778	3.638	4.9	6.598	4.458	5.9	7.418	5.278
3.95	5.819	3.679	4.95	6.639	4.499	5.95	7.459	5.319

CHATTANOOGA ORDER MILK PRICES (3.5 PERCENT MILK)

Date	PRODUCER UNIFORM PRICES ^{1/}				HANDLER CLASS PRICES ^{1/}			
	Per Hundredweight				Class I		Class II	
	Uniform	Base	Excess	Bf.Dif.	Cwt.	Bf.Dif.	Cwt.	Bf.Dif.
Apr. '66	\$4.85 ^{2/}	\$5.06	\$3.00	7.8¢	\$5.45	8.2¢	\$3.04	7.2¢
May	4.79 ^{2/}	4.97	3.02	8.0	5.45	8.2	3.06	7.3
June	4.87 ^{2/}	5.01	3.08	8.0	5.45	8.3	3.12	7.6
July	5.28 ^{2/}	5.44	3.24	8.4	5.767	8.6	3.28	8.2
Aug.	5.27	-	-	9.0	5.84	9.3	3.49	8.4
Sept.	5.66	-	-	9.4	5.87	9.5	4.25	8.6
Oct.	5.65	-	-	9.2	6.01	9.7	3.99	7.9
Nov.	5.68	-	-	8.6	6.09	8.9	3.95	7.8
Dec.	5.65	-	-	8.4	6.07	8.8	3.90	7.6
Jan. '67	5.62	-	-	8.2	6.09	8.6	3.90	7.6
Feb.	5.50	-	-	8.2	6.05	8.6	3.37	7.6
Mar.	5.36 ^{2/}	5.54	3.33	8.2	5.92	8.6	3.37	7.6
Apr.	5.19 ^{2/}	5.45	3.31	8.2	5.94	8.6	3.35	7.6
May	-	-	-	-	6.00	8.6	-	-

PRICES USED IN DETERMINING CLASS PRICES AND BUTTERFAT DIFFERENTIALS

Date	CLASS II ALTERNATIVE FORMULAS \$-cwt-3.5%		PRICE QUOTATIONS				Basic Formula \$-cwt-3.5%
	4 Tenn. Milk Mfg.	Butter Powder	4 Tenn. Milk Mfg. \$-cwt-4%	Chi.92° Butter ¢ Lb.	Chi.Area Powder ¢ Lb.	Minn/Wisc. Mfg. Milk \$-cwt-3.5%	
Apr. '66	3.04	3.48	3.400	62.80	16.02	3.64	3.64
May	3.06	3.55	3.425	63.54	16.70	3.65	3.65
June	3.12	3.65	3.500	65.99	16.81	3.82	4.00 4/
July	3.28	4.02	3.688	71.19	18.83	4.05	4.05
Aug.	3.49	4.17	3.913	73.05	19.63	4.26	4.26
Sept.	3.55	4.25	3.981	74.88	19.73	4.34	4.34
Oct.	3.57	3.99	3.969	68.80	19.64	4.26	4.26
Nov.	3.52	3.95	3.913	67.70	19.74	4.15	4.26 4/
Dec.	3.50	3.90	3.881	66.49	19.58	4.14	4.26 4/
Jan. '67	3.47	3.90	3.850	66.47	19.57	4.08	4.26 4/
Feb.	3.37	3.86	3.750	66.47	19.46	4.02	4.15 4/
Mar.	3.37	3.86	3.750	66.46	19.48	4.01	4.15 4/
Apr.	3.35	3.86	3.731	66.45	19.47	3.98	4.05 4/

SUMMARY OF RECEIPTS AND USE (DAILY AVERAGE POUNDS)

Date	HANDLER GROSS MILK 3/			PRODUCER DATA 3/				Deliveries Per			Prod.
	No.	Total	Class I	Class I	Total	Base	No.	Farm----Pounds.			Milk
	Hdlrs.	Receipt	Use	Use	Delivery	Delivery	Prod.	Prod.	Base	Exc.	Test
Apr. '66	11	726,873	528,830	522,390	686,157	617,814	653	1,051	946	105	3.93
May	11	709,820	498,267	492,037	669,259	606,628	646	1,036	939	97	3.95
June	11	664,459	492,255	477,148	624,721	579,064	642	973	902	71	3.90
July	9	606,531	461,978	450,482	558,984	520,301	601	930	866	64	3.89
Aug.	9	627,073	467,668	460,875	602,478	-	602	1,001	-	-	3.87
Sept.	9	669,440	573,722	549,013	617,915	-	591	1,046	-	-	3.95
Oct.	9	641,779	534,469	499,096	585,436	-	575	1,018	-	-	4.15
Nov.	9	621,225	507,725	474,427	565,267	-	571	990	-	-	4.20
Dec.	10	642,424	511,500	476,665	575,620	-	572	1,006	-	-	4.22
Jan. '67	9	645,961	508,383	468,006	581,714	-	568	1,024	-	-	4.21
Feb.	9	623,312	489,998	451,595	558,785	-	550	1,016	-	-	4.15
Mar.	9	680,040	518,872	477,073	602,753	554,123	562	1,073	986	87	4.02
Apr.	9	721,150	500,924	463,179	643,759	566,415	555	1,160	1,021	139	3.91

^{1/} Excludes Premiums^{2/} Weighted Average Price^{3/} Other Source is Gross minus Producer; Class II is receipts minus Class I^{4/} Basic Formula "floor" per Order Amendments

APRIL 1967 TOTAL CLASS I UNIT SALES BY 6 POOL AND 3 NON-POOL PLANTS ^{1/}

	<u>GALLONS</u>	<u>$\frac{1}{2}$ GALS.</u>	<u>QUARTS</u>	<u>PINTS</u>	<u>$\frac{1}{2}$ PINTS</u>	<u>PRODUCT LBS.</u>	<u>%-TOTAL</u>
Homo Milk	598,628 ^{3/}	774,444	207,521	447,445	2,847,640	10,936,090	76.98
Regular Skim	-	91,545	42,231	-	14,429	493,913	3.48
Special Skim	102,040	43,748	-	To $\frac{1}{2}$ Gals. ^{2/}	-	1,068,136	7.52
Buttermilk	To $\frac{1}{2}$ Gals. ^{2/}	215,303	125,248	39,824	34,009	1,260,558	8.87
Flavored Milk							
& Drink	To $\frac{1}{2}$ Gals. ^{2/}	4,369	42,966	176,488	142,188	360,070	2.53
Half & Half	-	-	3,163	32,329	74,428 ^{4/}	43,640	.31
Creams (X & XX)	To Quarts ^{2/}	-	3,796	-	28,202	22,760	.16
Sour Cream	516	-	-	-	33,516	21,857	.15
Total Pounds						14,207,024	100.00

^{1/} Includes all unit sales by pool plants and sales "In Area" by non-pool plants.

^{2/} Restricted - Distributed by less than 3 handlers.

^{3/} Includes glass, paper, plastic, and dispenser gallons and Twin-Pak half-gallons.

^{4/} Units of $\frac{1}{2}$ ounce creamers.

70 FEDERAL ORDERS AMENDED

Seventy Federal milk orders were amended effective May 1 based on the record of four regional hearings held during April 1967. The Class I price differential under all orders was increased 20 cents for the period of May 1967 through April 1968. In each order having seasonal differentials in the Class I price, the seasonal differentials were abolished and the average Class I differential was substituted therefor.

The Chattanooga order had no seasonal differential, therefore the \$1.75 Class I differential has been increased the 20 cents to \$1.95 (See page 2) for the next year; likewise, in the Knoxville order the \$1.50 differential has been increased the 20 cents to \$1.70. The Nashville order, having a summer differential of \$1.23 and a winter differential of \$1.53, will have a new average differential of \$1.38 to which the 20 cents is added resulting in a \$1.58 differential for the coming year.

Also, for use in all orders the amendment provides for a basic formula floor of \$4.05 to be used in computing the Class I price for the months of May 1967 through April 1968. Should the basic formula price exceed this floor, the actual figure will be used in computing the Class I price.

CHATTANOOGA SEASONAL MILK BASE PLAN

This seasonal base - excess plan is designed to reward the producer who delivers about the same amount of milk during each month of the year by allocating most of the lower priced Class II (manufacturing) milk to the excess (over base) deliveries thus leaving most of the uniformly delivered base milk priced at the higher priced Class I (bottled) milk.

The continued use of this plan has successfully leveled the production of grade "A" milk over the seasons in the Chattanooga milk shed. The amount of milk delivered during the summer - when milk is least needed for bottling purposes - relative to the winter deliveries has decreased tremendously. During 1957, the first full year under the Order, the daily average delivery of milk per producer per day for the month of high production was 124 percent over the month of low production. During 1966 this relationship had dropped to 112 percent. (Continued on Page 6)

CHATTANOOGA SEASONAL MILK BASE PLAN - CONTINUED

A producer's daily average milk base is figured each year. His daily average delivery of milk during the five months of September through January becomes his base for the following five months of March through July. There is no base consideration for the two months of February and August. This results in five months of base forming, five months of base pay and two so-called "free" months for a 12 month production cycle.

Producers are paid Uniform Blend prices for all milk delivered during each of the seven months August through February (5 base forming and 2 free). During the remaining five months of March through July producers are paid Base Blend prices for Base milk delivered during each month and Excess Blend prices for Excess milk (over base) delivered during each month.

Simple examples illustrating the computation of Blend prices are as follows: Assume total deliveries of producer milk 100 pounds, Class I use 80 pounds, Class II use 20 pounds, Class I Price \$6.00 and Class II Price \$4.00 per hundredweight. Then handler costs are determined thusly -

Class I	80 lbs.	@ \$6.00	= \$4.80
Class II	20 lbs.	@ \$4.00	= .80
Total	100 lbs.	Pool Value	\$5.60

This total value of \$5.60 for 100 pounds of milk is paid to producers through a Uniform Blend Price of \$5.60 per hundredweight during the 7 months of August through February.

During the 5 months of March through July this total pool value of \$5.60 would be paid to producers through a Base Blend and an Excess Blend Price. These two prices are computed thusly when usually the total amount of Base deliveries are greater than the total use of Class I milk and all excess milk is used in Class II.

(Assume Base 90 pounds, Excess 10 pounds)

Total	100 pounds pool value	\$5.60
Less Excess	10 pounds @ Cl. II \$4.00 =	.40
Remainder or Base	90 pounds with a value of	\$5.20

Then \$5.20 divided by 90 pounds gives a Base Blend of \$5.78 per hundredweight and the Excess Blend is \$4.00 per hundredweight.

Should the unusual happen and the Class I pounds be greater than Base pounds resulting in all Base milk being used in Class I the above allocation would reverse and the Excess Blend would be the remainder after the base value at the Class I price is deducted from the total pool value. In this illustration we assume total base deliveries to be 70 pounds and excess deliveries to be 30 pounds.

Total	100 pounds pool value	\$5.60
Less Base	70 pounds @ Cl. I \$6.00 =	4.20
Remainder or Excess	30 pounds with a value of	\$1.40

Then the \$1.40 divided by 30 pounds gives an Excess Blend of \$4.67 per hundredweight and the Base Blend is \$6.00 per hundredweight.